GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:1012
ANSWERED ON:27.07.2001
SLOWDOWN IN INDUSTRIAL GROWTH
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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the Industrial Production growth rate has slowed down during 2000-2001 in comparison to previous fiscal year;

(b) if so, the factors responsible for slow progress in industrial production;

(c) whether any concrete action plan has been prepared to overcome the industrial slow down;

(d) if so, the details thereof;

(e) whether the industrialists have also suggested measures to overcome the crisis;

(f) if so, whether their views have been taken into consideration; and

g) the extent to which the proposed action plan will help to overcome the industrial slowdown?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (DR. RAMAN SINGH)

(a) to (g): A statement is enclosed.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA UNSTARRED QUESTION. NO. 1012 FOR 27.07.2001.

(a)&(b): The overall growth in industrial production during 2000-01 was 5.0% as compared to 6.7% growth rate achieved during 1999-00. The slow growth rate in industrial production during 2000-01 has been mainly due to following reasons: -

- Persistence of Infrastructure bottlenecks and failure to attract private sector investment in infrastructure projects.

- Slow down in general investment climate.
- Economic slowdown in U.S and other economies of the world.
- Comparatively lower agricultural production in past two years resulting in lower aggregate demand.

- Poor stock market performance has weakened consumer and business confidence.

(c)&(d): The government has taken several policy initiatives to boost industrial production in the country. These measures have been targeted to improve competitiveness of Indian industry in general and to boost aggregate demand, improve infrastructure base, upgrade technology, introduce labour flexibility and encourage FDI flows in particular. Some of the initiatives taken recently are briefly mentioned below:

- Basic custom duty in case of raw materials and intermediate goods has been reduced.
- Excise duty has been rationalized, with one rate of Cenvat and one rate of Special Excise duty (SED).

- Budgetary provisions under Technology Upgradation Fund Scheme (TUFS) have been raised to speed up the modernization of textile industry.

- Interest rate on small savings has been reduced.
- Public spending out of the current budgetary allocations has been stepped up.
- Proposals have also been made for suitable legislative changes to improve the operating environment for industry.

- RBI has reduced Cash Reserve Ratio and Bank Rate to increase liquidity and reduce the lending cost.

(e) to (g): Organisations like FICCI, ASSOCHAM, and CII have suggested various measures to bring an upturn in the industria slowdown such as speeding up second generation reforms, in particular labour reforms; increasing investment in infrastructure projects; and further reduction in interest rates.

The government has taken cognizance of these suggestions and has initiated measures to bring in labour flexibility, improve infrastructure base, encourage FDI flows, and upgrade technology. All these measures will have positive impact in bringing an upturn in the industrial production provided the agriculture production registers a positive growth rate during the current fiscal year and the global economic situation improves.